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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 05/15/08

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ARTICLES:

(1) Japan chosen by China as the first country to send rescuers for victims of Sichuan earthquake

MAINICHI ONLINE NEWS (Full)  
May 15, 2008, 12:57

Seiji Nishioka, Beijing

The Chinese Foreign Ministry this morning announced that it would "accept emergency rescuers from Japan," although China until then had shown reluctance to accept foreign rescuers, for instance, from an international relief team, on the grounds of road conditions due to the recent powerful Sichuan earthquake. Countries around the world had offered assistance to China, but Japan has now chosen by China as the first country to send a disaster relief unit to that country.

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Given Chinese President Hu Jintao's visit to Japan early this month, Beijing's choice of Japan as the first country to send rescuers would be taken to mean that China not only has recognized Japan's broad experience in disaster relief activities but it also has attached importance to relations with Japan.

According to the Chinese Foreign Ministry, China will announce in the days ahead that it will accept rescuers from other countries in addition to Japan.

(2) Government coordinating dispatch of SDF to Sudan for PKO, with survey team traveling there possibly next month (Asahi)

ASAHI (Page 1) (Excerpts)  
Eve., May 15, 2008

The government has started coordinating the sending, possibly in June, a site survey team to the southern part of Sudan to determine the feasibility of dispatching Self-Defense Forces personnel there for United Nations peacekeeping operations (PKO). Following the end of over 20 years of hostilities there, the public security of the southern portion of the country is relatively stable. After determining whether the five principles of participating in PKO, such as the agreement of the country to accept the troops, the government will begin considering a specific plan. This was revealed by several government sources. The policy direction was reportedly set on May 13 at a meeting of three cabinet ministers: the chief cabinet secretary, foreign minister, and defense minister.

Until now, although the Foreign Ministry has been positive about participation, some officials in the Defense Ministry have been reluctant to go along, expressing concerns about public security and the like. As a result of coordination within the government, it was judged necessary to have a stance of being directly involved in the peace building process prior to the Hokkaido Lake Toya G-8 Summit conference in July. The Defense Minister, as well, has concurred with the sending of a survey team.

According to a concerned source, the survey team of approximately 20 participants will consist of personnel from the Foreign Ministry, Defense Ministry, and International Peace Cooperation Headquarters secretariat in the Cabinet Agency. They will visit the UN's Sudan dispatch headquarters in the capital city of Khartoum, and the local headquarters in a city in the central portion of southern Sudan, as

well as observe the situation of units sent by other countries.

(3) U.S. Assistant Secretary of State Sullivan: Agreement on a long-term target for reducing emissions of greenhouse gases at an expanded summit meeting

NIKKEI (Page 5) (Full)  
May 10, 2008

Meeting with a Nikkei reporter on May 9, U.S. Assistant Secretary of State for Economic, Energy and Business Affairs Daniel Sullivan said, "I hope to see an agreement on a long-term target for reducing greenhouse-gas emissions" at a meeting on global warming that will be held among major emitters during the G-9 Summit meeting at Lake Toya, Hokkaido, in July. He expressed his expectations of the leadership of Japan, the host nation. On the issue of soaring food prices in the world, he expressed his view that mid to long range measures should be hammered out by advanced nations at the G-8

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Summit that would lead to increased production by developing countries.

The assistant secretary serves as the sous-sherpa, assisting the Sherpa, who is the U.S. president's personal representative in the run up to the Lake Toya Summit. Regarding the follow-up framework to the Kyoto Protocol, which expires in 2012, he said, "The participation of all major economies is essential." He thought that such major emitters of greenhouse gases as China and India should make steady efforts to reduce emissions. On the long-range target, as well, he stated: "The United States is placing importance on a target that would have the participation of all major economies."

However, based on the history of advanced industrialized countries having emitted most of the global-warming gases, he said that the principle should be respected of them taking more responsibility. The responsibility, he said, was something "held in common but distinct for each country." He mentioned that the U.S. is prepared to provide developing countries with financial and technical assistance for reducing emissions. He positively evaluated the "sector-specific approach," which promotes emission reduction based on industry and area. He said, "It is an extremely important means for reduction to be promoted in accordance with each country's situation."

Regarding President Bush's target announced in April that would reduce growth of domestic emissions to zero by 2025, he called it a "pragmatic figure." But there has been a critical rebuttal from the EU and some countries that the target being set is too lax.

Turning to the issue of soaring food prices, Assistant Secretary Sullivan asserted, "We should send a strong message to developing countries," by such means as assistance that disseminates technology to increase food production in developing countries and to improve crop varieties. He also made an appeal about the importance of reaching agreement in the Doha Round of the World Trade Organization (WTO).

(4) Government to offer low-interest yen loans totaling up to 500 billion yen to developing countries over five years to cut greenhouse gas emissions

NIKKEI (Top Play) (Full)  
May 15, 2008

The government has decided to launch a new yen-loan program to assist developing countries in Africa and Asia in fighting global warming. In the new program, yen loans will be offered at about half the rates of conventional aid loans normally given to developing countries. The government will provide up to 500 billion yen in total over the next five years as loans to countries actively taking steps to curb global warming. Japan will announce this plan at the Group of Eight (G-8) Summit (the Lake Toya Summit) in July in a drive to underscore its eagerness to support other countries' efforts to fight global warming.

Typical 40-year yen loans have annual interest rates of 1 to 1.2 PERCENT , depending on the recipient country. The new yen loans, however, are to have rates of 0.4 to 0.5 PERCENT . By lowering interest rates, Japan will reduce the burden on developing countries and urge them to proactively address the task of cutting greenhouse gas emissions.

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The government plans to offer the new loans for such alternative energy projects as wind and solar power generation, as well as for the installation of energy-saving equipment at power plants and forestation projects. It also intends to cover reservoir construction projects.

Japan and Indonesia have already started discussing specific projects and loan amounts for the first offering. Japan has invited Indonesia to attend the Lake Toya Summit. It hopes to reach an agreement on providing loans when the leaders of the two countries meet on that occasion. The government expects to offer 20 to 30 billion yen in loans for projects to construct geothermal power plants and to improve the energy efficiency of thermal power plants.

Japan hopes to increase the number of countries eligible for the loans through talks with countries in Asia, Africa, and Latin America. It believes there is much potential demand for such projects. Nigeria and Guyana in South America are now among potential recipients for the yen loans.

In the World Economic Forum in Davos in late January, Prime Minister Yasuo Fukuda proposed the initiative called the "Cool Earth Partnership," a fund mechanism worth 10 billion dollars to fight global warming. The yen-loan program is the first step of this mechanism.

In negotiations on forming a new international framework following the 2012 expiration of the Kyoto Protocol, a leadership struggle is intensifying among major gas emitters, such as Japan, the United States, Europe, China, and India. The Japanese government hopes to turn the tide of international negotiations in its favor by making use of the new yen-loan program and increasing the number of countries supportive of Japan's plan. Japan's yen loans have so far been given mainly to Asia, but Japan wants to also extend loans to Africa and South America.

As financial aid in combating global warming, Britain announced last year plans to provide developing countries with 800 million pounds (approximately 163 billion yen) over the next three years, and the U.S. government announced this January that it would disburse 2 billion dollars (21 billion yen). Japan, the U.S. and Britain are planning to establish an environmental fund. The industrialized countries are thus aiming to display leadership while cooperating with each other.

The government intends to boost yen loans, given that the nation's official development assistance (ODA) disbursements have been on the decrease. Owing to their booming economies, such main recipient countries as China, India, and Vietnam have smoothly paid back loans, so the outstanding balance of offered yen loans have been flat over the past several years. In part because it is possible to procure low-interest funds in Japan, the government thinks it unnecessary to take new budgetary steps.

(5) Japan to set up new framework for dialogue with Africa with eye on China's rapid approach to Africa

NIKKEI (Page 2) (Full)  
May 15, 2008

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The government will embark on creating a new framework for policy dialogue with African countries in order to strengthen relations

with them. Japan will do so with an eye on rapid approaches by China and India to Africa. Those two countries apparently aim to obtain ample natural resources, including rare metals, from Africa. Japan will formally adopt the new framework at the upcoming session of the Tokyo International Conference on African Development (TICAD) in Yokohama City, which is to kick off on May 28.

TICAD is an international conference co-sponsored by Japan, the United Nations and other organizations in order to support economic growth in Africa. It has been held once every five years since 1993. The upcoming conference will be the fourth.

The new framework for dialogue with Africa that Japan will shortly set up is intended for working-level officials to check on a regular basis progress in Japan's aid policy toward Africa, as well as for Japan and Africa to have dialogue in a multilevel fashion.

Japan plans to hold dialogue with Africa once a year, assuming that the African Union (AU) will participate in the dialogue. Japan intends to improve its assistance measures to Africa in line with requests from African countries by having more opportunities for dialogue with African countries, besides the forum of TICAD, which is held once every five years.

The reason why Japan has now decided to step up its engagement in Africa is because of Africa's potential for economic growth and also because other countries of the world are paying attention to Africa for its abundant natural resources. Reportedly, China allocates 40 PERCENT or more of its economic aid budget to Africa and is rapidly increasing its influence there. China also has held once every three years an international conference of top leaders from African countries since 2000.

The European Union (EU) and India also are doing the same. This past April, India hosted the first India-Africa summit, in which top leaders from 14 African countries took part.

Tokyo is looking for ways to join hands with China on Africa. It is planning to hold working-level policy talks with China and South Africa on Africa.

For Japan, political power of 53 African countries is also attractive. Given Japan's bid for a permanent seat on the United Nations Security Council, it is essential for it to garner votes favoring its bid from African countries. Lying behind Japan's ongoing efforts to build a continuing relationship with Africa are those elements.

The upcoming TICAD is expected to have the participation of the heads of state from 45 countries, a figure double the number of those who came to the previous TICAD in 2003. Prime Minister Yasuo Fukuda is going to spare at least 20 minutes for talks with each leader.

Japan also plans to chart an action plan that will list specific assistance measures. Included in the plan will be (1) doubling the production of rice in sub-Saharan African countries in 2018; and (2) building 1,000 elementary schools in five years.

As to how much money Japan will use for assistance measures to

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Africa, coordination is underway. One idea floating in the government is to vastly increase the official development assistance (ODA), but a cautious view is still deep-seated in government officials, particularly in the Ministry of Finance.

Policies toward Africa by Japan and China

Japan China  
Economic cooperation 10.5 PERCENT directed for Africa (in 2005)  
Reportedly, 44 PERCENT directed for Africa.  
Dispatch of personnel to PKOs No dispatch 1,273 personnel  
dispatched  
International conferences TICAD held once every five years since  
1993. The Forum on China-Africa Cooperation held once every three

years since 2000.

Number of embassies Have embassies in 24 countries Have embassies in

47 countries

VIPs' visits to Africa (within the past two years) In 2006, then

Prime Minister Junichiro Koizumi visited Ethiopia and Ghana.

President Hu Jintao visited three African countries in 2006, and  
eight countries in 2007. Premier Wen Jiabao visited Africa in 2006.

(6) Association of governors hosting U.S. bases to ask government to review SOFA today

RYUKYU SHIMPO (Page 2) (Full)

May 15, 2008

Kanagawa Governor Shigefumi Matsuzawa, chairman of the association of the governors of 14 municipalities hosting U.S. military bases, and Okinawa Governor Hirokazu Nakaima, vice chairman, will visit the Prime Minister's Official Residence this afternoon to deliver a letter calling for reviewing the Status of Forces Agreement (SOFA).

The letter also calls for establishing a regional special committee composed of representatives from the 14 municipalities in the Japan-U.S. Joint Committee.

On April 4, in reaction to a taxi driver killed by a U.S. Navy seaman in Yokosuka City, Kanagawa Prefecture, Chairman Matsuzawa and other representatives of the association urgently asked the government verbally to review the SOFA.

Today, the association will ask the government in a written form to review the SOFA and to establish a regional special committee, reacting to a series of incidents involving U.S. soldiers, such as the rape of a schoolgirl in Okinawa and the case in Yokosuka,. But the government has continued to say that the way the SOFA is applied should be improved.

(7) Government informally decides to offer 1.3 billion yen in first-portion realignment subsidy to five municipalities (in Okinawa) in fiscal 2008

OKINAWA TIMES (Page 2) (Full)

May 15, 2008

Tokyo

Informally outlining the first portion of fiscal 2008 subsidies to be offered to affected municipalities in accordance with their level of cooperation on the realignment of U.S. forces in Japan, the

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government decided by May 14 to inform the affected municipalities of its decision. Specifically, the government has informally decided to provide 6.168 billion yen to 38 municipalities across Japan. As for Okinawa, the government will offer a total of 1.295 billion yen to five municipalities for the planned relocation of Futenma Air Station, the joint use of Camp Hansen with the Ground Self-Defense Force, and the relocation of Naha Naval Port facilities.

The amount includes 970 million yen to the city of Nago, the Futenma relocation site, and 160 million yen to the village of Ginoza. Following the start of an environmental impact assessment, the government has decided to offer 25 PERCENT of the maximum amount to be paid when the replacement facility is completed. Additional amounts are expected to be paid in the informal second portion.

The government in March lifted the freeze on subsidies to Nago and Ginoza saying, "We have been able to obtain their understanding and cooperation." The government is also expected to pay 460 million yen (397 million yen to Nago and 67 million yen to Ginoza) for fiscal 2007 that have yet to be implemented.

Regarding the GSDF's joint use of Camp Hansen, the government has also informally decided to offer 85 million yen to the village of Kin, 33 million yen to the village of Onna, and 20 million yen to Ginoza. Joint use of and drills at (Camp Hansen) started in March. Regarding this as the "completion of the realignment," the

government is expected to pay the maximum amounts. The subsidies to the three municipalities are expected to total 200 million yen for fiscal 2008 in the end.

Additionally, the government has informally decided to extend 26 million yen to the city of Urasoe which has announced to accept the Naha Naval Port replacement facilities. In the end, the amount is expected to be 37 million yen, the same as that of the previous year.

(8) Interview with Masaaki Gabe, professor at University of the Ryukyus: No possibility of Marines coping with emergency (in and around Japan)

RYUKYU SHIMPO (Page 3) (Full)  
May 15, 2008

Interviewer: Takumi Takimoto

Even after the reversion of Okinawa to Japan, U.S. bases have remained in Okinawa on the grounds of the Japan-U.S. Security Treaty. The Ryukyu Shimpo interviewed University of the Ryukyus Prof. Masaaki Gabe of international politics about prospects for the Japan-U.S. Special Action Committee on Okinawa (SACO) and the U.S. military transformation centering on the return of the site of the Futenma Air Station to Okinawa.

-- (The Japanese and United States governments) have continued to emphasize the military importance of the U.S. bases in Okinawa in terms of dealing with a threat of North Korea.

Gabe: Speaking of examples in the Korean War, the importance of the bases in Okinawa was found not in ground troops but in air bases. Of the 12,000 ground U.S. troops in Okinawa at the time, 3,000 were sent to the Korean Peninsula. The full number of the Marines stationed in Okinawa is supposed to be 18,000 but the actual number

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is some 12,000. Should the Marines be sent (to the peninsula), the number would be 3,000 or so. Such a number could be transported directly from Guam or Hawaii (to the peninsula). Given this, I think it is improper to say that U.S. bases in Okinawa will play an important role, should war break out on the Korean Peninsula.

-- Has the focus shifted from SACO to the U.S. military transformation?

Gabe: Linked to America's policies toward Iraq and Afghanistan, the way troops are trained and deployed has now been significantly changed. Reflecting this change, the U.S. military transformation is going on and in that process, a plan to transfer (the Marines in Okinawa) to Guam has emerged. In Guam, a facility that can accommodate all functions of the Yokosuka, Sasebo, and Okinawa bases will be constructed. The U.S. forces' operations seem to be changing.

-- What do you think the U.S. bases in Okinawa mean to both the Japanese and U.S. governments?

Gabe: For the U.S., its bases (in Okinawa) have served as an important device to put the Japanese government under its control. Meanwhile, the Japanese government appeared at the beginning to be placating Okinawa under the strength of money in dealing with the base issue, but in the process, money has become the only means to maintain the bases in Okinawa. In order to get out of this situation, (the Japanese government) is spending money in a more business-like manner, as seen in providing Okinawa with subsidies in return for cooperation on the U.S. force realignment plans.

-- What do you think will happen to the presence of the U.S. Marines in Okinawa?

Gabe: Since the 1996 SACO agreement, the U.S. forces have decided to trim its Marine Corps' bases in Okinawa. The planned runways of an alternative facility for the Futenma Air Station will be short and their area will be half the current area. The necessary facilities

have been downsized. This move perhaps reflects the U.S. thinking that keeping helicopters in Okinawa would be enough since the Marines in Okinawa no longer engage in strategic transport. The Marines in Okinawa are moving in the direction of downsizing. This means that in Okinawa, the Marine Corps will no longer deal with emergencies.

(9) U.S. military's leisure-purpose rental cars also toll free

AKAHATA (Page 15) (Full)  
May 15, 2008

The U.S. military issues certificates for free use of toll highways even for vehicles rented on base by personnel for leisure. The U.S. Yokota Air Base last month erased its website description showing such a fact. It was shortly after Satoshi Inoue, a legislator of the Japanese Communist Party, took up this problem in an April 17 meeting of the House of Councillors Foreign Affairs and Defense Committee.

The U.S. military has deleted advertisements and agreements for rental cars, such as: "If you pay for a car you rent, you don't have to pay tolls for almost all highways in Japan." The U.S. military issues toll-free certificates even for leisure-purpose rental cars.

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This even goes against the purport of the Japan-U.S. Status of Forces Agreement, under which the Japanese government shoulders highway tolls for U.S. military vehicles for "official business" only.

Inoue pursued this problem again before the committee in its May 13 meeting. Yoshiyuki Jibiki, director general of the Local Cooperation Bureau at the Defense Ministry, admitted to the website description. He stated that the Defense Ministry has inquired of U.S. Forces Japan about whether toll-free certificates are issued for rental cars. "If they are suspected of using the certificate against the purport of the Japan-U.S. Status of Forces Agreement," he replied, "we will have to respond to this matter in an appropriate manner."

Inoue stressed, "I can't say they have only to erase their website's description so it cannot be seen in the public eye." Foreign Minister Masahiko Koumura replied, "I will ask about the facts, and then we will make efforts so it will be used in an appropriate way."

Inoue asserted: "If you let them use it even for leisure-purpose rental cars, and if there is an accident or a crime on their way, the U.S. military may hold them because they were on duty. This is the question of how to use the taxpayers' money, so the government should take resolute action."

(10) Counting chickens, government agencies engaged in road revenue battle; Prime minister eyes improving national livelihood

ASAHI (Page 4) (Excerpts)  
May 15, 2008

The government has decided to free up road-related tax revenues for general spending starting in fiscal 2009. A fierce road-revenue battle is already underway. Prime Minister Yasuo Fukuda indicated that road revenues would be spent for the environment, the declining birthrate, and other areas. Government agencies involved in those areas are busy counting their chickens before they are hatched. Liberal Democratic Party lawmakers with vested interests in the road industry are on the defensive. The Finance Ministry fears that the spending-cut policy might collapse.

New Komeito Deputy Representative Toshiko Hamayotsu, calling on Prime Minister Fukuda yesterday, present him with a set of policy proposals, such as establishing comprehensive consultation counters for women and a one-year preschool free education system. Hamayotsu also asked the prime minister to spend a portion of the road revenues on them.

It was the prime minister himself that first mentioned using the

road revenues for improving the people's livelihood.

In a press conference in late April, the prime minister said: "There is a lack of pediatricians. The emergency medical system and higher education must be improved. Solar energy and fuel cells must be developed. There are a plethora of tasks. We are going to free up the road revenues to spend them for improving the people's livelihood." He also expressed his desire to use part of the revenues for improving the newly introduced medical system for the elderly, which is drawing fire from the public.

Chief Cabinet Secretary Nobutaka Machimura, too, indicated in a

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press conference in Sapporo on May 11 that the government was searching for ways to use part of the road-related tax revenues to build a Shinkansen bullet-train line in Hokkaido. Machimura was asked by reporters the following day if a Shinkansen program falls under "national livelihood."

The eagerness of Fukuda and Machimura has begun charging up the Kasumigaseki bureaucratic district. Government agencies that are responsible for policies with Fukuda's seals of approval are particularly in high spirits.

A senior official of the Ministry of Economy, Trade and Industry (METI) expressed his hope for more funds for such sectors as solar energy and fuel battery.

The government stopped providing household solar cell subsidies in fiscal 2005, and Japan was immediately displaced by Germany, giving up its world's No. 1 position in photovoltaic generation. METI is considering support measures, including the reinstatement of the subsidies, with the road revenues in mind.

The Ministry of Health, Labor and Welfare (MHLW), which is responsible for healthcare and the declining birthrate, is also highly responsive to the government's policy to free up road-related taxes. MHLW is hoping to use extra funds for increasing the number of medical students, an effective and expanded use of nurses and midwives, and improving treatment of female doctors.

The size of funds that can actually be used for improving the everyday lives of the people is not known. On May 13, the government adopted a cabinet decision that incorporated its policy of building highways as necessary. The size of funds for improving national livelihood depends on how far the road budget can be curbed.

According to the government's basic policy guidelines for fiscal 2006, public works spending must be reduced 1 PERCENT -3 PERCENT in a five-year period from fiscal 2007. The spending was slashed 3 PERCENT in 2007 and 2008. In order to squeeze out funds for improving the national livelihood, the spending must be slashed over 3 PERCENT .

The dominant view in the government and ruling parties is that of the road-related revenues, only the "portion for expanded use" that covers road projects other than road construction can be used for improving national livelihood.

In the fiscal 2008 state budget, the road construction budget amounts to 3.3 trillion yen, including 400 billion yen in the portion for expanded use to cover lowering expressway tolls and interest-free loans. A fierce battle is expected in fiscal 2008 among government agencies over the expanded-use portion and some 500 billion yen in the general account.

(11) Security and foreign investment restrictions: J-Power incident questions: Rise of protectionism in Europe, U.S.; Japan caught on horns of dilemma, intertwined with internationalization

NIKKEI (Page 5) (Full)  
May 15, 2008

A British hedge fund's bid to increase its stake in J-Power has caused a tough issue of how to strike a balance between promotion of

foreign investment and foreign investment restrictions for security reasons. Promoting inward foreign direct investment is one of the pillars for Japan's growth strategy. However, guidelines for to what extent the door to foreign companies can be open in areas involving national interests are not clear. There are signs of protectionist moves aimed at defending domestic companies from takeover bids spreading in Europe and the U.S. The way regulations should be introduced in the age of globalization is being questioned.

In Washington, the Committee on Foreign Investment in the United States (CFIUS), chaired by the secretary of the treasury, in late April released new screening guidelines targeting foreign companies planning to acquire U.S. firms, based on the notion that there is a possibility of screening even a takeover bid involving a 10 PERCENT stake after acquisition.

#### Seeking to check oil-producing countries

The previous guide for examining takeover bids was that such involving a stock-holding ratio of 10 PERCENT should be subject to screening from the perspective of security. However, the guideline the U.S. has introduced this time is so severe that it covers takeover bids involving stakes below 10 PERCENT, as well. Many market insiders conjecture that the new U.S. guidelines were intended to check China and oil-producing countries, which are increasing their presence.

The CFIUS in 1988 began screening foreign companies' plans to acquire U.S. firms, based on the Exxon-Florio Provision, which was added to the Defense Production Act. The Provision is feared as "super power," because it targets all industries.

It is said that the only takeover bid that was banned in compliance with the Provision was a Chinese company's bid to acquire an aircraft parts manufacturer in 1990. One government source said, "There have been many cases in which foreign companies gave up on their plan to acquire U.S. companies in advance with the Provision serving as a major deterrence."

The true motive of the U.S. strengthening its screening guidelines is not known. It is ironical that even the U.S., which is going ahead of Japan in terms of the solidness of its M&A market, are trying to refine the last resort to close the country.

In Europe, border-crossing corporate reorganization moves are under way in the energy field. The representative case is seen in Spain. German and Italian companies joined in a race to buy out Endesa, a leading energy company in that nation, in a bid to grab an opportunity for growth.

When Gas Natural, a leading Spanish gas company, launched a TOB, E.ON AG, a leading German energy company, also proposed a take-over bid. Furthermore, Enel, a leading Italian energy company, also took part in the acquisition race in alliance with a Spanish company.

In contrast, European countries are increasingly alert to foreign access from outside the region. The European Commission last fall toughened regulations on the entries of companies from outside the region in the electric power and gas fields. Kunihiro Tokai? a fellow at the Japan Electric Power Information Center (JEPIC), said, "European countries, which are aiming to form an integrated market, have adopted moderate regulations within the region. They have now

begun taking into consideration foreign companies outside the region, such as Gazprom of Russia."

#### Drifting principle

The principles of European countries and the U.S. are drifting, as they are taking pains in balancing market opening with imposing regulations for the sake of security. Behind the move is that the

state-run companies of emerging and resource-rich countries are increasing their presence in the M&A market on the strength of ample funds. As the economy further globalizes, each country has to become aware of its national interest.

However, the Children's Investment Fund (TCI), which was made the target of Japan's investment restriction, is a British investment fund. Japan's ratio of inward direct investment to GDP is the lowest among leading countries. Under such a circumstance, is it possible to discuss such on the same plane as the situation in Europe and the U.S.?

Commissioner Mandelson of the European Commissioner (EC) responsible for trade affairs met with Economic, Trade and Industry Minister Amari in late April. He said that he had no intention of bringing up the case this time as a diplomatic issue. However, he drove the point home, saying, "I hope Japan's investment environment will improve."

(12) Review of new elderly healthcare system: High wall for securing fiscal resources to reduce burden on elderly

TOKYO SHIMBUN (Page 2) (Full)  
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The government and ruling parties are now been seriously reviewing the newly introduced medical service system to which 13 million people aged 75 and older contribute. Opposition parties plan to submit to the Diet a bill abolishing this healthcare system this month. The government and ruling coalition have no plan to change the system but instead intend to appease the criticism being leveled by the elderly population by improving the system to reduce their burden.

One of the measures being considered is to continue a system to reduce and exempt insurance premiums of approximately 2 million elderly persons who joined corporate health insurance societies supported by their children. Under the current medical system, the 2 million people are exempted from paying their insurance premiums until September but then, from October, they will have to pay 10 PERCENT of the original premiums for about six months. So, the government and ruling camp will look into the possibility of extending the reduction and exemption program.

Another issue up for consideration is to improve burden-reduction measures for low-income elderly persons. Although the Ministry of Health, Labor and Welfare (MHLW) explained that the burden on the low-income elderly would be lowered, there are many low-income persons whose insurance premiums were raised. So, the public's backlash against the medical service system has grown fierce.

Insurance premiums consist of an income levy and a per capita levy. Under the present system, an income levy and a per capita levy on the annual income by a husband are as follows:

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|                                 |                 |                 |
|---------------------------------|-----------------|-----------------|
| Annual income earned by husband | Income levy     | Per capita levy |
| Up to 1.53 million yen          | None            | 30 PERCENT      |
| Up to 1.68 million yen          | Based on income | 30 PERCENT      |
| Up to 1.925 million yen         | Based on income | 50 PERCENT      |
| Up to 2.38 million yen          | Based on income | 80 PERCENT      |

The idea that has been floated involves increasing the number of people whose burden would be reduced by raising the threshold of annual income.

Some in the ruling camp have called for entrusting the unpopular withholding of medical insurance premiums from the pension benefits to municipalities. However, since the local government's side is reluctant, it will likely be difficult to realize that idea.

It is certain that calls will grow for re-freezing a hike in medical fees paid by people aged 70-74 at medical institutions. An increase of the medical fees from 10 PERCENT to 20 PERCENT, which had been scheduled to be implemented in April, was suspended for one year.

The government and ruling bloc will look for the possibility of extending the suspension for another one year.

However, it is difficult to secure fiscal resources for lightening both burdens on those 75 and over and on those 70-74. In a supplementary budget for fiscal 2007, a total of 172 billion yen was earmarked: 45 billion yen for reducing and exempting insurance premiums of about 2 million people, who previously joined corporate health insurance societies, and 127 billion yen for freezing the raise in medical fees paid by those 70-74 at hospitals.

In addition to those extensions, should burden-reduction measures be expanded to low-income earners, it remains to be seen whether effective measures can be set forth to quite down criticism given the limited fiscal resources.

DONOVAN